

Key facts

Economic growth	▲
-----------------	---

Prime shopping centres

Gross rentals	◀▶
Cap rates	◀▶
Vacancies	◀▶

Prime high street

Gross rentals	◀▶
Cap rates	◀▶
Vacancies	◀▶

Nominal retail sales

Jan 2011	10.76%
Feb 2011	10.40%
Mar 2011	8.60%
Q1 2011	9.92%

Highlights

- Nominal retail sales figures show growth of 9.92% for Q1 compared y-o-y
- Rentals remain flat
- Renewed interest to expand from some of the national chains
- Some new and interesting fashion tenants entering the market
- Perceived value-driven tenants taking up space in more traditional shopping centres

Economic overview

Economists are in agreement that consumption remains the most important driver of the South African economy. The latest data indicates that consumption should continue to grow robustly in 2011. This has been confirmed by the fourth quarter of 2010's GDP expenditure data showing growth of 1.1%, while consumer spending rose by 1.2% for the same period. In addition, exports grew by a remarkable 2%. Investment was, however, disappointing, rising just 0.4%.

According to Oxford Economics, the latest domestic sales of new vehicles rose by 22.8% on the year in March after a 25.1% increase in February. Inflation is increasing, driven mainly by rising commodity prices and the weakening of our currency. As a result, the CPI rose by 3.7% year-on-year in February. This was due mainly to increases in petrol and electricity prices, which rose 12.3% and 18.6%, respectively. The pressure is likely to continue as the petrol price increased in both March and April.

Global overview

EMEA Retail Street-Front Yields Quarter 4 2010

COUNTRY	CITY	PRIME YIELD	BASIC POINT CHANGE ON QUARTER	BASIC POINT CHANGE YO-Y	BASIC POINT CHANGE FROM PEAK*
Austria	Vienna	4.50	-5	-15	50
Belgium	Brussels	4.50	-25	-75	25
Czech Republic	Prague	6.75	0	0	175
Denmark	Copenhagen	5.00	0	0	100
France	Paris Ile-de-France	4.50	-25	-75	50
Germany	Berlin	4.75	-15	-15	25
Hungary	Budapest	7.00	-25	-75	125
Israel	Tel Aviv	8.50	0	0	150
Netherlands	Amsterdam	4.05	-10	-60	50
Poland	Warsaw	6.50	0	-50	80
Portugal	Lisban	7.50	0	0	100
Romania	Bucharest	10.50	-50	-150	450
Russian Federation	Moscow	12.00	0	0	350
South Africa	Cape Town	9.50	0	0	250
South Africa	Durban	10.00	0	0	150
South Africa	Jonhannesburg	11.00	0	0	100
Spain	Barcelona	5.75	0	-25	125
Switzerland	Zurich	4.50	-10	-20	0
United Arab Emirates	Dubai	9.50	0	50	150

* Figures indicate degree of change from the highest rent or lowest yield recorded in the previous three years, to the current level

Source: CB Richard Ellis

The table on the previous page indicates the yields achieved in retail street-front shops in Europe, the Middle East and Africa (EMEA). Traditionally, street-front retail was the prime retail destination in Europe and as a result produced very good yields. However, in certain areas these street-front shops are coming under more pressure from newly developed shopping centres.

When comparing South African yields to EMEA, we need to take into consideration that Europe is not experiencing urbanisation to the extent that sub-Saharan Africa and South Africa are.

Urbanisation in South Africa is leading to increased trading densities in urban areas, hence street-front retail in certain nodes is performing very well. We have to note that Cape Town's street front is unique in South Africa, due to tourism and inner-city living similar to that in Europe.

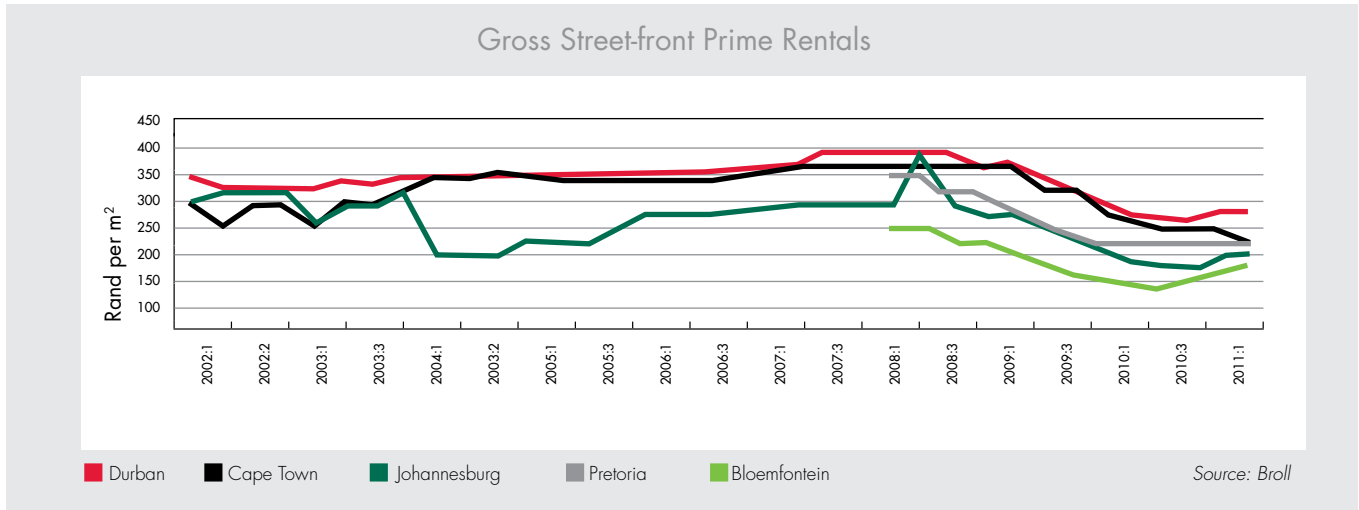
According to Carl von During, Head of Investment Broking for

Broll Property Group, South African CBDs are starting to make provision for lower-income residential nodes. Also, if all the new rapid transport systems start to operate, the city centres will remain the transport hub, making them even more attractive and suitable for urbanisation.

Von Doring indicated that Romania is experiencing similar trends to those South Africa experienced in the early 1990s, with the decentralisation of retail to shopping centres located in the suburbs, hence the movement in their prime yield over the last year.

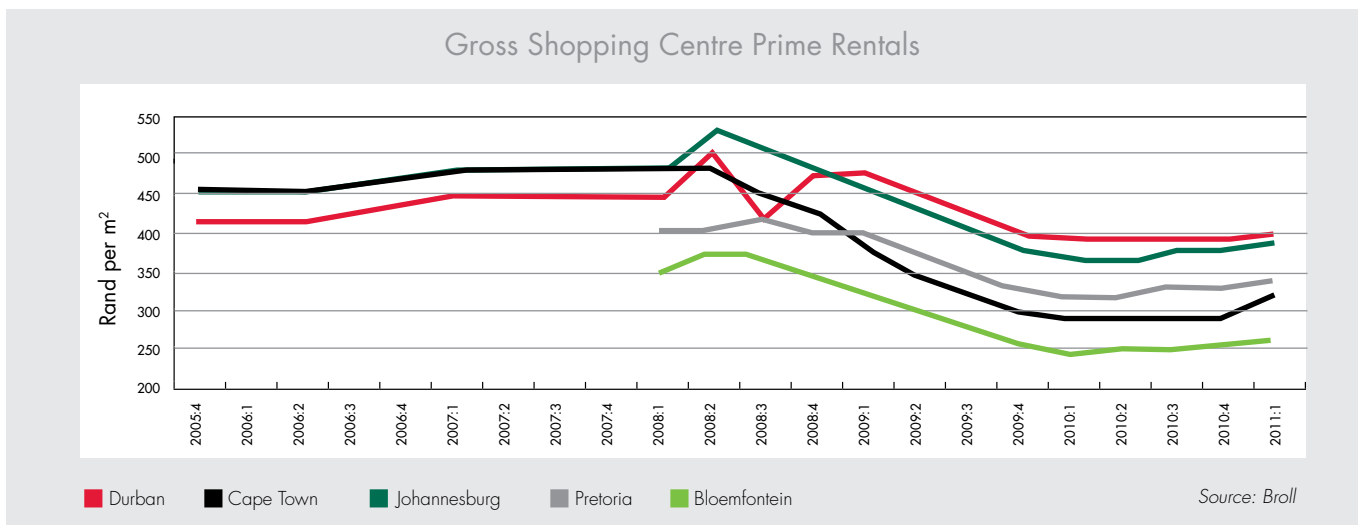
Leasing activity in EMEA remains slow due to the fact that occupiers of space are finding it difficult to find prime space in the major cities in Europe. This is a result of lack of construction activity. Poland and Germany are two of the countries where retailers have expanded the search for suitable space. However, most of the markets in EMEA have indicated the demand for secondary space is still very weak, and this trend is similar in South Africa.

Gross rentals



Gross street-front rentals for prime space in the major CBDs remained stable in the last quarter of 2010, with Cape Town being the exception with a slight downward trend. Pretoria and Bloemfontein

have been added to our quarterly analysis: Pretoria has been stable since the first quarter of 2010 and Bloemfontein experienced strong growth for the same period, albeit from a low base.



The gross rental for a prime-line shop of 80m² in shopping centres under Broll management near the anchor tenant have remained stable since the first quarter of 2010. Some of

the regions are starting to show a slight upward trend but it is too soon to conclude if this is the beginning of an upward movement. In some regions, rental renewals are being negotiated

with little or no escalation, again indicating that secondary centres are struggling in the current economy. Property management companies and landlords are forced to scrutinise the business plans

and finances of new tenants to ensure that they are able to trade successfully, in order to limit future vacancies and expensive legal battles if the tenant fails.

Capitalisation rates

SHOPPING CENTRES		RANGE
Super Regional	>100 000m ²	6.75% ← → 7.50%
Regional	50 000 - 100 000m ²	7.00% ← → 8.00%
Small Regional	25 000 - 50 000m ²	7.50% ← → 8.75%
Community	12 000 - 25 000m ²	7.50% ← → 10.00%
Neighbourhood	5 000 - 12 000m ²	8.50% ← → 10.50%
Convenience	1 000 - 5 000m ²	8.50% ← → 11.50%

Source: Broll

The table above indicates a range of capitalisation rates for various sizes of shopping centres. Super regional shopping centres

continue to have the lowest capitalisation rate. Capitalisation rates have remained stable since the last quarter.

Nominal retail sales

Nominal retail sales continued to show strong growth for the first quarter of 2011, with 10.76% in January, 10.4% in February and slowing down to 8.6% in March compared to the same period last year. This has resulted in first-quarter growth of 9.92%, which is

approximately 2.5% higher than the figures released by Statistics South Africa for the same period. This again confirms that larger shopping centres are more resilient in bad economic conditions and continue to perform well.

Apparel						
MERCHANDISE CATEGORIES	TURNOVER PERCENTAGE	RENTAL TO TURNOVER RATIO	SALES GROWTH Y-O-Y 2011			
			JAN	FEB	MAR	QTR 1
Accessories	7.43%	20.17%	-3.21%	-0.78%	0.70%	-1.10%
Children's fashion	5.45%	19.47%	3.07%	-6.44%	-1.69%	-1.69%
Ladies' fashion	4.76%	12.75%	11.91%	5.24%	4.30%	7.15%
Men's fashion	5.32%	11.95%	6.27%	8.31%	10.87%	8.48%
Unisex fashion	4.09%	9.49%	4.71%	5.96%	6.23%	5.63%

Accessories and children's fashion pay the highest turnover percentage and also have the highest rental-to-turnover ratio in the apparel merchandise category. Both these categories had negative sales growth for the first quarter of 2011.

The best-performing category was men's fashion, with a positive sales growth performance since April 2010, as per the graph below. Since the beginning of 2011, the category has had an upward trend, indicating a continued strong performance.



Food

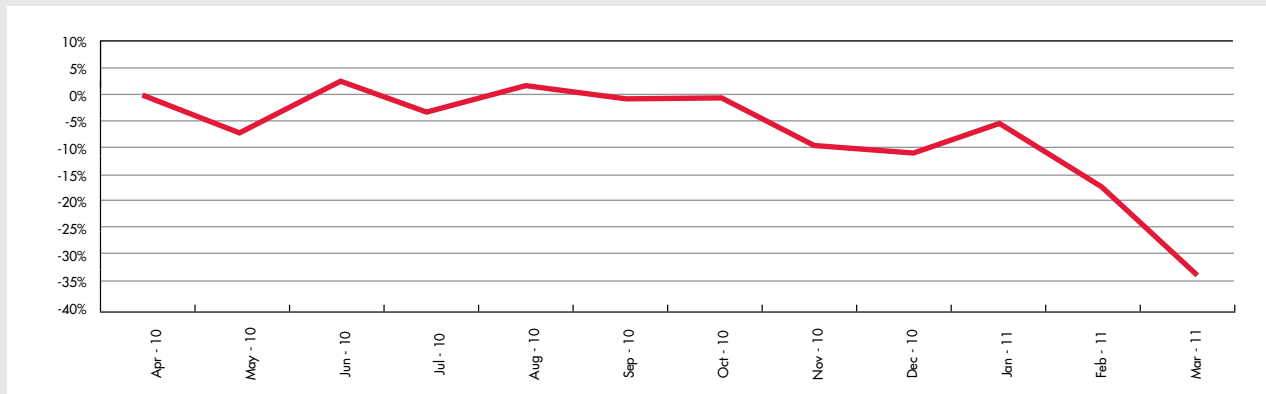
MERCHANDISE CATEGORIES	TURNOVER PERCENTAGE	RENTAL TO TURN-OVER RATIO	SALES GROWTH Y-O-Y 2011			
			JAN	FEB	MAR	QTR 1
Grocery/ Supermarkets	1.10%	2.68%	0.80%	5.86%	2.50%	3.05%
Food Speciality	4.92%	16.50%	-2.39%	-4.03%	-3.26%	-3.23%
Sweets	6.53%	25.04%	-6.14%	-17.77%	-33.40%	-19.10%
Bottle Stores	1.58%	7.51%	6.78%	18.94%	18.45%	14.72%

Source: Broll

The worse performer in this sector is sweets, which is also the category with the highest turnover percentage and rental-to-turnover ratio. Sweets had a decline in sales growth, with negative growth since April 2010, a clear indication that this category is another

victim of the recent economic crisis. Food speciality consists of specialised food stores like bakeries, biltong, ice cream and water stores, and this category is following a similar trend to sweets but at a lower level.

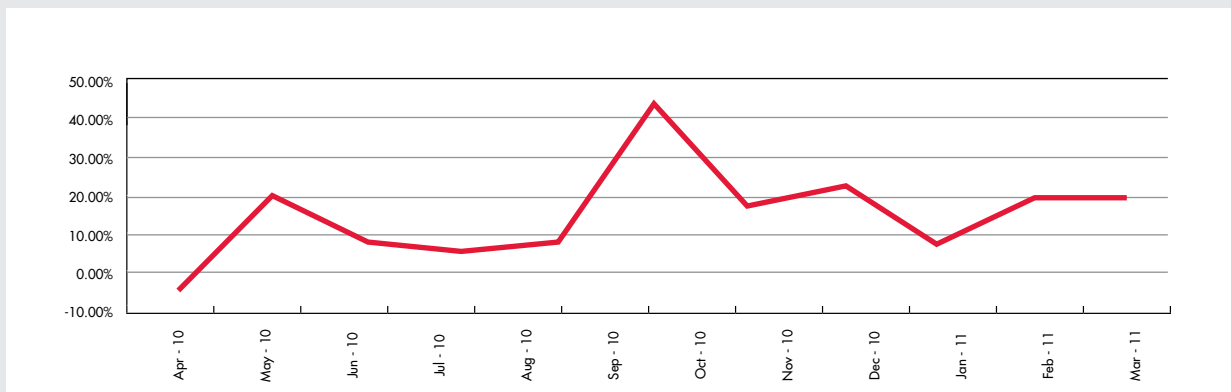
Nominal Sales Growth for Sweets 2011



Source: Broll

Bottle stores continue their strong performance, with stable growth of approximately 18% over the last two months, with a seasonal dip in sales in January.

Nominal Sales Growth for Bottle Stores 2011



Source: Broll

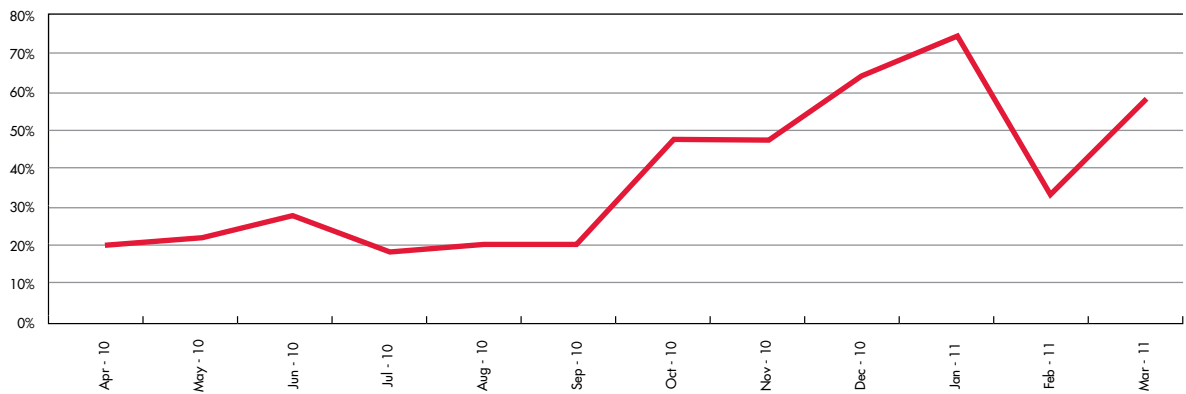
Electronics/Photography/Music

MERCHANDISE CATEGORIES	TURNOVER PERCENTAGE	RENTAL TO TURN-OVER RATIO	SALES GROWTH Y-O-Y 2011			
			JAN	FEB	MAR	QTR 1
Electronics	3.46%	9.56%	70.99%	32.11%	58.67%	53.92%
Photography	3.79%	15.00%	6.99%	1.06%	-10.90%	-0.95%
Music	3.38%	10.53%	-4.98%	31.52%	36.53%	21.02%

Electronics showed phenomenal growth in the first three months of the year, an increase due mainly to the continued good performance of the major cellphone service companies in the

portfolio under management. It is also the sector in this category that has the lowest rental-to-turnover ratio. Music has also put in a very strong performance.

Nominal Sales Growth for Electronics 2011



Source: Broll

Conclusion

Nominal sales growth continues to be positive, with another strong performance of 9.92% for the first quarter of 2011. However, there are a few merchandise categories that are struggling, having achieved negative sales growth for a substantial period. Capitalisation rates remain stable and rentals remain flat.

On the positive side, there has been renewed interest from national

chains that want to expand their operations. There has also been an increase of new independent fashion retailers looking to take up space. Perceived value chains are also starting to take occupation in more traditional shopping centres.

We expect the next quarter to remain positive but at a lower level of around 6%.

Sources: Oxford Economics, CBRE, Broll

FOR MORE INFORMATION CONTACT

Sanett Uys - GM Group Research and Marketing
14th Floor, The Terraces, 34 Bree Street
Cape Town 8000, South Africa
t: +27 21 419 7373 • e: suys@broll.co.za

For more information on market characteristics and trends, read our reports at www.broll.co.za

Disclaimer

Broll Property Group has taken every care in the preparation of this report. The sources of information used are believed to be accurate and reliable, but no guarantee of accuracy or completeness can be given. Neither Broll Property Group, nor any CB Richard Ellis company, nor any director, representative or employee of Broll Property Group, accepts liability for any direct or consequential loss arising from the use of this document or its content. The information and opinions contained in this report are subject to change without notice. No part or parts of this report may be stored in a retrieval system or reproduced or transmitted in any form or by any means, electronic, mechanical, reprographic, recording or otherwise, now known or to be devised, without prior consent from Broll Property Group.